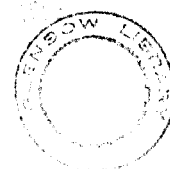


JAN 1939



THE CROW'S NEST PASS COAL COMPANY, LIMITED
FERNIE, BRITISH COLUMBIA

ANNUAL REPORT

FOR

YEAR ENDED DECEMBER 31, 1938.

BOARD OF DIRECTORS

H. P. Wilson
L. C. Gilman
Erasmus C. Lindley

Thomas Balmer
James T. Maher
F. D. Pratt

Welles V. Moot

EXECUTIVE COMMITTEE

Thomas Balmer, Chairman

H. P. Wilson
James T. Maher

L. C. Gilman
F. D. Pratt

OFFICERS

H. P. Wilson	President & General Manager
Thomas Balmer	First Vice President
L. C. Gilman	Second Vice President
Geo. H. Hess, Jr.	Comptroller
A. A. Klauer	Treasurer
J. S. Irvine	Secretary
Welch, Anderson & Company	Auditors

TRANSFER AGENTS

Toronto General Trusts Corporation, Toronto, Ont.

Bankers Trust Company, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Toronto, Ont.

Central Hanover Bank & Trust Co., New York, N.Y.

Fernie, British Columbia,
March 21, 1939.

TO THE SHAREHOLDERS OF
THE CROW'S NEST PASS COAL COMPANY, LIMITED :

We submit herewith the Forty-second Annual Report of your Company for the year ended December 31, 1938, together with a Balance Sheet, duly certified by your Auditors, Welch, Anderson & Company, as well as a statement of Income and Surplus Account.

The profit from all sources after depreciation and depletion amounted to \$89,734.63.

There was expended on Capital Account during the year the sum of \$510,283.58, which includes the necessary adjustment resulting from the loss by fire of tipple and cleaning plant at Michel and the construction of a new preparation plant at that location.

Distributions to shareholders during the year amounted to the sum of \$186,354.00, which is equivalent to \$3.00 per share. This amount was paid from the following sources :

Earned Profits	\$109,794.77
Depreciation and depletion reserve funds	76,559.23

The amount of \$78,806.92 has been included in income for the year, representing final net adjustment of Use and Occupancy insurance claim resulting from Michel fire in 1937, as more fully commented on in the report for that year.

The operating loss for the year of your Subsidiary, the Morrissey, Fernie and Michel Railway Company, after depreciation, was \$56,065.88, while your other Subsidiary, the Crow's Nest Pass Electric Light and Power Company, Limited, showed a net profit of \$7,115.08.

Coal mined amounted to 482,417 tons as compared with 494,571 tons in 1937.

Coke production was 54,602 tons as compared with 48,394 tons in 1937.

By Order of the Board of Directors,

H. P. WILSON,
President.

AUDITORS' REPORT AND CERTIFICATE

Toronto, Canada,
February 4th, 1939.

To the Shareholders,

THE CROW'S NEST PASS COAL COMPANY, LIMITED,
Fernie, B.C.

We report that we have audited the books and accounts of your Company for the year ended December 31st, 1938, and certify that we have obtained all the information and explanations required.

We confirmed the securities of the Company held for safekeeping by the Imperial Bank of Canada, Vancouver Branch, by certificate from the depository.

The cash and bank balances were verified, either by actual count or by certificates from the depositories.

The accounts receivable have not been verified by direct communication with the debtors.

Deficits in subsidiaries are now being written off on an annual basis, which we consider adequate.

Settlement has been made of the Use and Occupancy insurance claim referred to in our report for the year ended December 31st, 1937, and effect has been given to the same in the accounts of the Company.

We further certify that the accompanying balance sheet is, in our opinion, so drawn as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information, the explanations given us and as shown by the books of the Company.

WELCH, ANDERSON & COMPANY,
Chartered Accountants.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

BALANCE SHEET — DECEMBER, 31st, 1938.

ASSETS

Cash on hand and in banks	\$ 325,379.02	
Accounts receivable	204,480.35	
Coal and mine supplies—at cost or useful values	108,352.64	
Bonds and shares (market value \$957,522.00) at cost	886,369.83	
Bonds and shares (no established market value) nominal value	2.00	
	<hr/>	1,524,583.84
Imperial Bank of Canada, Fernie—Dividend Account		
To provide for issued and outstanding dividend cheques,		
per contra		3,181.79
Accounts receivable — subsidiaries — wholly owned companies ..	18,006.81	
Shares of wholly owned subsidiaries	474,175.59	
	<hr/>	492,182.40
Mines, real estate, buildings, plant and equipment at cost, less		
amounts written off to reserves	5,868,487.42	
Less : Reserves for depletion and depreciation	2,731,454.54	
	<hr/>	3,137,032.88
Prepaid expenses		7,592.12
	<hr/>	
Total		<u>5,164,573.03</u>

LIABILITIES

Accounts payable—including accrued wages	77,502.25	
Accrued taxes and assessments	2,796.83	
Provision for Dominion of Canada 1938 income tax	22,703.70	103,002.78
	<hr/>	
Dividend cheques issued and outstanding — per contra		3,181.79
Capital—authorized \$10,000,000.00 divided into 100,000 shares of the		
par value of \$100.00 each — subscribed and paid up	6,212,666.66	
Deficit—December 31st, 1938—as shown on accompanying state-		
ment	1,154,278.20	
	<hr/>	5,058,388.46
	<hr/>	
Total		<u>5,164,573.03</u>

This is Balance Sheet referred to in Auditors' report dated
February 4th, 1939.

Signed on behalf of the Board : Thomas Balmer, Director.
H. P. Wilson, Director.

THE CROW'S NEST PASS COAL COMPANY, LIMITED

STATEMENT OF INCOME

For the Year Ended December 31st, 1938.

Profit on coal and coke operations		\$ 298,031.73
Less : Executive officers' salaries	32,861.75	
Counsel and legal fees	2,939.34	
Directors' fees	2,500.00	
Provision for depreciation	118,165.76	
Provision for depletion	48,241.70	
		<u>204,708.55</u>
		93,323.18
Other Income :		
Interest on securities — after amortization of investments		
\$4,336.25	32,691.25	
Interest on bank balances, exchange, etc.—net	2,693.38	
Recovered on accounts receivable previously written off ..	35.28	
Sundry income—net	19,065.63	
		<u>54,485.54</u>
		147,808.72
Other Charges :		
Investments in stocks (with no established market value)		
written down — Subsidiary Companies	34,621.39	
— Other	749.00	
		<u>35,370.39</u>
Profit Before Providing For Income Tax		112,438.33
Less : Provision for income tax—year 1938		<u>22,703.70</u>
Net Profit For Year		<u>89,734.63</u>

STATEMENT OF DEFICIT — DECEMBER 31st, 1938.

Distribution to shareholders to December 31st, 1937 from funds derived through creation of Reserves for Depreciation and Depletion		1,167,453.60
Add : Dividends declared and paid in year 1938	186,354.00	
Less : Profits for the year ended December 31st, 1937	<u>109,794.77</u>	
		76,559.23
Less : Profit for year ended December 31st, 1938	(x) 1,244,012.83	
		<u>89,734.63</u>
Deficit—December 31st, 1938—as shown on Balance Sheet		<u>1,154,278.20</u>

(x) This amount represents distributions paid to Shareholders to date under powers conferred by Section 83, s. s. 4. of the Dominion Companies Act from funds derived through creation of reserves for depreciation and depletion.

